

State of Alaska FY2003 Governor's Operating Budget

Department of Natural Resources Oil and Gas Development Budget Request Unit Budget Summary

Oil and Gas Development Budget Request Unit

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BRU Mission

See specific information at component level.

BRU Services Provided

See specific information at component level.

BRU Goals and Strategies

See specific information at component level.

Key BRU Issues for FY2002 – 2003

See specific information at component level.

Major BRU Accomplishments in 2001

See specific information at component level.

Key Performance Measures for FY2003

Measure:

Oil & Gas - Compliance with the areawide leasing plan and exploration licensing.
Sec 111(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The division is 100% in compliance with this measure.

Since 1979, when the modern oil and gas leasing program began, the division has averaged 2.7 lease sales per fiscal year. In the Five-Year Oil and Gas Leasing Program to be released in January 2002, the division has scheduled four lease sales per fiscal year through FY 06. In addition, the division issued its first exploration license during FY 01, and has three license applications in progress.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

The division conducted five lease sales and issued the state's first exploration license during FY 01. We have four lease sales scheduled for FY 02 and three license applications are in progress.

Measure:

Oil & Gas - The percentage of available state acreage offered for oil and gas leasing, or for exploration.
Sec 111(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

One hundred percent of available state acreage in Cook Inlet, Beaufort Sea, and the North Slope were offered for leasing in FY01. All available state land is open for exploration licensing.

During FY01 the division: 1) held five lease sales (Beaufort Sea, North Slope, North Slope Foothills, and Cook Inlet), and leased over 1.8 million acres; 2) issued the first exploration license for 318,756 acres (Copper River basin); and 3) issued four shallow natural gas leases in the vicinity of the Red Dog Mine covering 23,040 acres.

During the first half of FY02 the division leased 530,560 acres in two area wide sales (with two more scheduled for the fourth quarter) and issued shallow natural gas leases covering 1,031,680 acres.

The division is 100% in compliance with this measure.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

All available state land is made available through our leasing or licensing programs. During FY01 the division began utilizing a privately owned website (IndigoPool.com) to advertise its lease sales and solicit competing exploration license proposals.

Measure:

Oil & Gas - The revenue received for total state production of oil and gas.
Sec 111(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY01, the division collected \$1.1 billion in revenues, compared to \$1.0 billion in FY00.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

The department's strategies include aggressive monitoring of oil and gas markets, thorough auditing, and periodic reopening of settlement agreements, as well as entering new settlement agreements where advantageous to the state, all for the purpose of maximizing royalty revenues.

The annual revenues received are continually updated on our website.
<http://www.dog.dnr.state.ak.us/oil/>

Measure:

Oil & Gas - The number of resident and nonresident private sector jobs in the oil and gas industry in the state.
Sec 111(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

According to the State Department of Labor, the statistics on employment in Alaska for oil and gas extraction have increased. Below are annual averages since 1998:

2001 (Jan-Aug)	11,200
2000	10,300
1999	9,400
1998	9,300

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

These figures are available at this site:

http://www.labor.state.ak.us/research/emp_ue/ak95prs.htm

Measure:

Oil & Gas - The number of new and assigned oil and gas rights, plans, and units.
Sec 111(b)(5) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The division does not control the number of applications filed by industry. This past year the division has been inundated with industry applications for assignment of leases and the formation and expansion of units and participating areas. In FY01, the division processed 1356 oil and gas lease assignment requests. The division is on track to process this year's assignments. Last year the division administered 30 unit agreements containing 47 participating areas. There currently are 37 units and 50 participating areas in the state with several applications pending.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

Delays in issuing leases result in losses of rental revenues to the state, delays in exploration and development projects, and possibly cancellation of exploration programs. Prompt assignment approvals are important for royalty accounting and lease administration. Prompt approvals of unit applications are important in assuring the maximum responsible exploration and development of oil and gas resources, as well as maximizing royalty revenue collection.

In FY01, the division received an increment of \$400,000 to clear the backlog in assignments and unit actions. There is no longer a backlog in assignments or units, though demands placed on staff remain high and many staff members are still working overtime to keep the workload current. Moreover, the number of assignments and unit actions expected for FY02 will exceed that for FY01, creating another backlog.

The Division of Oil and Gas strategies are to:

- 1) Issue new leases oil and gas leases three to four months after a lease sale or a shallow gas application is filed;
- 2) To promptly adjudicate lease assignments;
- 3) Keep up with the increasing numbers of unit-related applications;
- 4) Approve only those assignments of interest and unit-related actions that are in the state's best interest; and
- 5) Maximize revenue to the state.

Oil and Gas Development
BRU Financial Summary by Component

All dollars in thousands

	General Funds	FY2001 Actuals Federal Funds	Other Funds	Total Funds	General Funds	FY2002 Authorized Federal Funds	Other Funds	Total Funds	General Funds	FY2003 Governor Federal Funds	Other Funds	Total Funds
<u>Formula</u>												
<u>Expenditures</u>												
None.												
<u>Non-Formula</u>												
<u>Expenditures</u>												
Oil & Gas	3,489.1	0.0	1,140.9	4,630.0	3,800.3	140.3	1,490.8	5,431.4	4,442.8	141.7	1,504.5	6,089.0
Development												
Pipeline	514.0	27.1	2,514.3	3,055.4	434.7	40.2	3,371.0	3,845.9	443.9	40.5	3,401.9	3,886.3
Coordinator												
Gas Pipeline	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,242.5	2,242.5
Office												
Totals	4,003.1	27.1	3,655.2	7,685.4	4,235.0	180.5	4,861.8	9,277.3	4,886.7	182.2	7,148.9	12,217.8

Oil and Gas Development

Proposed Changes in Levels of Service for FY2003

See specific information at component level.

Oil and Gas Development

Summary of BRU Budget Changes by Component

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	4,235.0	180.5	4,861.8	9,277.3
Adjustments which will continue current level of service:				
-Oil & Gas Development	-107.9	1.4	13.7	-92.8
-Pipeline Coordinator	9.2	0.3	30.9	40.4
-Gas Pipeline Office	0.0	0.0	52.2	52.2
Proposed budget increases:				
-Oil & Gas Development	750.4	0.0	0.0	750.4
-Gas Pipeline Office	0.0	0.0	2,190.3	2,190.3
FY2003 Governor	4,886.7	182.2	7,148.9	12,217.8